Public Management Reforms: should Latin America learn from the Organisation for Economic Co-operation and Development?

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I. Reforming Public Management in Latin American countries

3.1. The context

The countries of Latin America have much in common in their history and culture. This includes a common historical experience of political and economic crisis. The Spanish-speaking countries have enjoyed almost two centuries of independence – Brazil, a former Portuguese colony, a little less. But because of the restricted vote and the absence of modern political parties, this has not always meant full democracy. The 19th Century was one of “liberal oligarchy” and minimal government. The early 20th Century saw the emergence of a middle class and, to some extent, a working class, but from the 1930s class interests were often tied to a corporatist/paternalist state. There has nonetheless been a slow underlying move to greater democracy in the 20th Century, albeit punctuated by authoritarian episodes, populism, and political and economic instability.

Focusing in the last decades, Latin America lived systematic periods of economic crisis and reforms. As an answer for the “lost decade” for Latin America, three major elements to the reform of the state were aimed - in what came to be known as Washington Consensus (Lora: 2007): a) democratization (political and electoral systems were reformed, political parties changed, representation broadened, and judicial oversight improved (Lora: 2007) with the end of military governments); b) economic stabilization (fighting inflation, making central banks more independent, improving tax systems, privatization, reforming of budgetary institutions, financial and pension systems); c) opening the economy.

Even though a major claim of those reforms was to reduce the size of the government; Latin America countries have been small relative to the rest of the world. The ratio of average General Government Expenditure to GDP is the lowest in the world, comparing it with countries at the same level of income (graph 3). Even when non-financial Public Corporations are included in this calculation for Latin America, the average of the region remains low in relative terms, less than 30% of GDP on average. Brazil is a significant exception.¹

¹ The General Government Expenditure data is from a sample of 69 observations of several years (due data availability) from the IMF database (GFS, 2008). Total Non-financial Public Sector/GDP is calculated by ECLAC referent to the year 2006 (2008). Note that in both cases, Brazil is not included in the sample due data availability.
Graph 3
Average General Government Expenditure as Percent of GDP per Income Group and Latin America and Caribbean (LAC) region

<table>
<thead>
<tr>
<th>Income Group</th>
<th>GGE/GDP (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Middle Income (LAC)</td>
<td>27.24</td>
</tr>
<tr>
<td>Upper Middle Income (LAC)</td>
<td>26.01</td>
</tr>
<tr>
<td>Low Income</td>
<td>29.17</td>
</tr>
<tr>
<td>Low Middle Income (except LAC)</td>
<td>34.78</td>
</tr>
<tr>
<td>Upper Middle Income (except LAC)</td>
<td>37.64</td>
</tr>
<tr>
<td>High Income - Non OECD</td>
<td>32.47</td>
</tr>
<tr>
<td>High Income - OECD</td>
<td>43.28</td>
</tr>
</tbody>
</table>


Latin American countries do not only spend less, on average, than the OECD ones, but they also face a more skeptical public (Graph 4).

We can outline some characteristics of Latin American (including Caribbean) countries:
- A heterogeneous group of countries: Latin America comprises 34 countries with a combined population of about 520 million. These variations are seen not least in terms of the quality of public administration and government effectiveness (Graph 5).

The range of differences in the quality of public administrations and the factors that drive this are illustrated in a country typology developed in an IDB study (Echebarria et al: 2007), they are: a) Merit-based bureaucracies (have good technical capacity and enjoy political independence. Chile and Brazil fall into this category); b) Administrative bureaucracies (enjoy some political independence but existing merit-based rules are not applied, incentives for performance are weak, jobs are more politically determined, and the bureaucracy plays a limited role in government. Examples: Argentina, Colombia, Costa Rica, Mexico, Uruguay, and Venezuela); c) Weak bureaucracies (the bureaucracy is technically weak, faces poor incentives, and plays a marginal role except in executing the simplest tasks. Example: Bolivia, the Dominican Republic, Ecuador, Paraguay, Peru, and the remaining Central American countries).
Graph 4


Graph 5
Indices of Government Effectiveness and Quality of Public Administration for 20 Countries of Latin America and the Caribbean

Sources: World Bank and Inter-American Development Bank (2008).
Complex institutional arrangements: If the early reformers of the old OECD are characterized by malleable public administration arrangements, then the countries of Latin America are certainly different. The countries of Latin America share a common notion of the centrality of the state, framed within the Napoleonic code and the civil-law system. On the one hand, these features provide stability. On the other, they prevent rapid structural or managerial change driven by executive decision in Presidential system.

Mostly of these countries have presidential systems of government where a president and congress share power and lack of political responsibility of one to the other. It is particularly aggravated when there is an antagonistic relationship between the president and the legislature or where coalitions hold the power. This is one of the reasons that helps explain why the creation of arms-length agencies has become a favored strategy in Latin America. In the Brazilian case, the Brazilian Development Bank (BNDES) is a classic example. The current discussion to create a new public corporation to manage and extract oil from newly discovered pre-salt layers is a current example. It is typically in times of economic or financial crisis that presidents are able to impose greater control over administrative practices.

Argentina, Brazil, Mexico, and Venezuela also face further challenges. In federal systems with authority constitutionally divided between levels of government, central governments are generally less able to drive through comprehensive and uniform reform programs. On the other hand, strong subnational governments can provide local “laboratories” for testing reforms before launching them on a larger scale. It could be the case of improvement in performance of hospitals in São Paulo, Brazil, by Social Organizations in Health that enabled a formal partnership between the state and nonprofit, private-sector organizations for the management of public hospitals. The “Choque de Gestao” in Minas Gerais also can be an example of public management innovation in a state level, using instruments such as the Results Agreements, quasi-contracts agreed between the State’s Governor and sector Secretaries. These agreements set targets for the performance of the Secretariats and provide information on their achievement to the Governor (via an oversight Commission).

Generally weak legitimacy for public administration: There has been substantial progress in reforming the state in Latin America, but there is a long way to go and the process is fragile and reversible. The fragility of the reforms is reflected in the weak legitimacy of the state. This weak legitimacy undermines efforts at further reform, in particular the reform of public administrations.

In contrast with OECD countries, the deepening basis for legitimacy of public sector did not follow certain sequence over time (Figure 1 for the OECD).

In Latin America countries, this process was different (Figure 2). Administrative responsiveness was always present in the region. First, it was institutionalized through a centralized power structure inherited from the colonial period. Second, in order to maintain the status-quo, especially of the urban and rural elites, administrative responsiveness to political concerns was delivered through patronage. This form of administrative responsiveness to

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2 Presidential systems provide more veto players than Parliamentary systems, requiring the agreement of many actors in order to promote change (Tsebelis, 2007).

3 This is corroborated by the evidence that Latin Americans associate the reform process with economic crisis (in the 1990’s at least) (Panizza: 2006)
political priorities ensured that the state responded to concerns from the elite about limiting the provision of public goods and redistribution to other groups. However, this dubious achievement was obtained at the cost of inefficiencies, such as clientelist practices and over employment of bureaucrats from urban areas (Geddes: 1991; Acemoglu et al.: 2006). Thus responsiveness was limited – focused on the elite – and the state was also limited – in terms of its institutional capacity. As with the OECD reforms, there are intrinsic tensions within these developments. The tentative moves towards a more rigorous performance regime, the lasting impact of the 1980s and subsequent decentralization initiatives, and the continuing attempts to the institutionalization of merit arrangements for the public service, challenge the politically tried and tested approach for ensuring responsiveness – patronage and centralization.

**Figure 2**
**The Changing Basis for the Legitimacy of the Public Service in Latin America**

<table>
<thead>
<tr>
<th>Progress</th>
<th>Tensions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2000s – Emerging interest in equal access and equal treatment</strong></td>
<td></td>
</tr>
<tr>
<td>- Recent legal impartiality – not yet real</td>
<td></td>
</tr>
<tr>
<td>- Concern that minorities should have access to employment in the public sector</td>
<td></td>
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<tr>
<td><strong>1990s – Growing (although still limited) focus on performance</strong></td>
<td></td>
</tr>
<tr>
<td>- Concern to make promises and deliver on them</td>
<td></td>
</tr>
<tr>
<td>- Measurement of results and the use of measurements for planning or accountability purposes</td>
<td></td>
</tr>
<tr>
<td><strong>1980s – Responsiveness to local priorities</strong></td>
<td></td>
</tr>
<tr>
<td>- Significant decentralization to subnational administrations</td>
<td></td>
</tr>
<tr>
<td>- Development of fiscal federalism</td>
<td></td>
</tr>
<tr>
<td><strong>1970s to date – Attempted institutionalization of merit arrangements</strong></td>
<td></td>
</tr>
<tr>
<td>- Frustration with extent of political appointments</td>
<td></td>
</tr>
<tr>
<td>- Concern that the public service capacity is undermined by patronage</td>
<td></td>
</tr>
<tr>
<td><strong>19th century – Responsiveness through centralized power and patronage</strong></td>
<td></td>
</tr>
<tr>
<td>- Inherited from the colonial powers</td>
<td></td>
</tr>
<tr>
<td>- Patronage ensured responsiveness to the rural landowners and the urban elite</td>
<td></td>
</tr>
</tbody>
</table>

Source: Authors

In this political-economy scenario, due process was stunted. Institution building is an ongoing
work that has been done opportunistically, never systemically. More recently, the concept of performance was included in reform rhetoric, inspired by the quite successful experience in some OECD countries. Some improvements were made (Matsuda: 2003), but it is still aspirational in the next rounds of reforms in the majority of countries.

Different to the OECD track, equal access and equal treatment on public administration have been ignored over time. Equal access to public service employment through meritocratic systems is an exception in the region (Echebarría et al: 2007). Even in the exceptions such as Brazil, meritocratic arrangements are patchy and not applied in all departments and levels of government. In the majority of the countries, many jobs in the public administration remain politically determined and tend to be distributed either to urban elites or to beneficiaries of patronage. There is always a trend to employ more civil servants than the equilibrium point, in exchange for political support (Geddes: 1991). Panizza (1999) found that in the mid-1990s, the average pay of public employees in eight Latin American countries was 14 percent higher than that of their equivalents in the private sector. Jobs in the public service in the region have other features that make them more attractive than other jobs, such as stability, attractive retirement conditions, and social benefits.

Since the state is relatively small (graph 3) and personnel expenditures are relatively high, the consequent result is that the state provides few public goods, especially in social areas focusing in low income groups (Tanzi: 2008). This is a picture of a limited state, which contributed with the intergenerational maintenance of the “inequality trap”, well known in the region (World Bank, 2005). As a result, rural communities and minorities remain deprived of public goods (e.g. education, health, etc) and equal treatment, therefore, opportunities. In addition, policies also have an infective redistributive impact (graph 7).

Graph 7
Inequality in Latin America and Europe before and after taxes and transfers (Gini Coefficients)

Source: OECD (2007). Social Security is a particularly regressive expenditure that consumes a considerable percentage of the government’s budget (graph 6).

Graph 6

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4 Ferreira and Gignoux (2008) found that inequality of opportunity is responsible for a substantial share of observed economic inequality in Latin America. They also found empirically that the opportunity-deprived profile has geographic location, gender, age, family similarities and schooling level defined.
Distribution of Social Spending across Income Levels: 
Average of Selected Countries in Latin America

![Bar chart showing distribution of social spending across income levels.]


The impartiality of the public administration is, in this case, incomplete, because states do not reach the whole society in terms of access to public sector employment opportunities or in terms of provision of services.

3.2. Current focus
The current challenges facing the OECD countries are also present in Latin America. But they are considerably less salient. There is, for all countries, a performance challenge, not only because of fiscal constraints, but also because public waste – notably as a result of corruption. It is only some states –Chile and Brazil are leaders – that have begun to move on to some of the more sophisticated aspects of performance orientation that characterize the OECD. As with the OECD, however, rhetoric sometimes outstrips reality.

The challenge of political responsiveness has so far been a distinctly muted issue in Latin America. It is perhaps in the area of decentralization that this issue has most obviously been raised: decentralization has been driven by political concern for responsiveness, not by the efficiency concerns of other fiscal federalism reforms.

The issue of non-responsiveness to central-government politicians is rarer: most civil services
are not strong enough to stand up against politicians. At the same time, the equal treatment of citizens is becoming an important issue in Latin America as democracy develops. Communities originally deprived of access to public sector employment opportunities and services started to gain political voice and power, as example the indigenous populations in the Andean countries.

In general, low trust in government, low fiscal capacity, poor public services, and poor income distribution appear to be related to each other. For instance, across Latin American countries, the share of those who trust that taxes are well spent correlates with the share satisfied with democracy, with better Gini coefficients, and with more progressive social spending (Santiso: 2007). But the causal relationships are more difficult to discern. It could be that there is a vicious circle of low tax revenues\(^5\) and poor services that can be turned into a virtuous circle.

In practice, two stylized types of public management reforms can be seen:
- Where the public sector operates on reasonably transparent and formal lines, and particularly where public servants are generally hired on merit and reasonably immune from political pressures, then the reforms look more similar to those undertaken in the OECD settings against which they are contrasted in this report. In such settings, performance-based approaches are increasingly found in human-resource management and budget preparation, and in driving efficiency improvements in service delivery. These reforms tend to be institutionalized and sustained.
- In other cases, where patronage is more entrenched, reforms have more of the flavor of pilots or experiments. They seek the same objectives of improved performance and responsiveness, but they are more likely to be enslaved or otherwise disconnected from reforms elsewhere in the public sector. They have a flavor of opportunism more than strategy, and the risk of reversal is more pronounced. These other cases are by far the majority.

3.3. Five technical dimension of reform

One important conclusion about the comparison between OECD and Latin American countries is that while the trajectories of reform have been different, the key changes have taken place within the same five institutional dimensions.

3.3.1. Public expenditure management and financial accountability

- **Budget rules for aggregate financial discipline**: are needed to prevent an excessive and inefficient expenditure of public resources, especially through rules that seek to protect these resources from private interests. According (Filc and Scartascin: 2007), budgetary reforms in Latin America during the 90's-2004 had positive impact in improving control of fiscal results: better budgetary institutions were associated with lower fiscal deficits. The main reform trends were as follows: a) Numerical restrictions ("fiscal responsibility" laws to impose limits on spending, the deficit, or the public debt; multiyear frameworks to give predictability and flexibility to annual targets; funds to stabilize revenue from taxes or major exports; numerical fiscal restrictions on sub-national governments); b) Procedural (or hierarchical) rules (limited powers of the legislative to change the decisions of the executive; relative stronger power of the minister of finance than cabinets); c) Transparency rules (regulations to improve access to information on fiscal results).
- **Policies to improve performance**: The next step is to tackle inefficiencies related to

\(^5\) Brazil is an exception in the region. In 2004, the Brazilian tax revenues as percentage of GDP was 36%, while OECD countries were 36% as well and Latin America countries were 18%.
allocation of resources, implementation of policies and quality of expenditure. Performance budgeting has received growing emphasis from both governments and donors (World Bank: 2008).

In Latin America a great deal of performance information is currently drawn from programs and projects and the link to the budget is largely presentational. Goals and performance indicators have often been established for line ministries and their programs, with specific resources assigned to them, and these may be reflected in their strategic plans. This enables compliance to be monitored. Initially these indicators tend to measure the production levels achieved, yet they are increasingly used to measure intermediate or final outputs, although institutionalizing them and linking them to the budget process remains a challenge.

Most of the countries have a limited degree of freedom in prioritizing, planning and managing expenditures based on results information. There is often little time to use it during the budget cycle and there are other problems related to the complexity of the existing monitoring and evaluation systems. Performance-informed budgeting has the potential to significantly transform budgeting in Latin America.

However, there are common risks and challenges faced by governments in implementing performance-informed budgeting. These include: developing adequately robust and easily-understood performance measures; finding ways to integrate this information into the often overly rigid budget processes, alongside traditional financial information; providing decision makers with the right amount and type of information in a timely manner; and creating the incentives to use this information in budgetary decision-making and sustain the reforms.

- **Public procurement:** is a specialized topic within public expenditure – one particular aspect of improving performance and combating corruption as well. Many procurement regimes in Latin perform poorly. They also provide a microcosm of the problem of informality in Latin American public administration – an excess of rules (formalism) that are poorly applied.

Based on a review of World Bank procurement reports covering 10 Latin American countries, the Brookings Institution (2008) judged that there has been meager progress in reforming procurement processes in the region. Chile, with the most advanced e-government procurement (e-GP) system and the most developed procurement database in the region, is the major exception. Most of the other countries in this sample followed the path of technical reforms and made limited progress.

- **Financial information:** A defining characteristic of public-sector reform in Latin American countries has been an emphasis on strengthening government financial management by improvements in accounting, particularly through investing in integrated financial management systems (IFMSs). The basic elements of an IFMS include budget management, accounting, treasury, debt management, procurement and public accounts. The premise is that improving the quality and availability of information necessary at various stages of public financial management will lead to better decisions and outcomes.

The region presented a relative success of IFMS reforms as reflect the dominance of the macro-fiscal agenda within the region’s governments. However much IFMS can be justified as a tool for transparency and prevention of corruption, financial management reforms in the
region rarely appear to have been driven by political pressure from society toward better governance and better service delivery.

- **Audit**: All the countries of Latin America have long-established supreme audit institutions (SAIs). Analyzing the rules of a sample of ten Latin American SAIs (in terms of their independence, credibility, timeliness, and enforcement), (Santiso: 2006) finds a broad range, from relatively effective audit institutions in Brazil, Colombia, and Chile to relatively ineffective ones in Ecuador, Argentina, Peru and Mexico. Nominally at least, SAIs are moving from compliance auditing to performance auditing.

3.3.2. **Human Resources Management**
In the earlier phase of state reform, the main initial concern in human-resource reform was to reduce the size of the public workforce as a contribution to solving fiscal problems. These efforts appear to have had some effect: the size of public employment for the region as a whole dropped from 5.4 percent of the population in 1995 to slightly over 4 percent in 1999 (Lora: 2007). Some of these gains may have been more apparent than real: sometimes, for instance, when the number of central-government public servants fell, the number of local-government or contracted employees rose. The savings were used to raise salaries: the share of the public wage bill in GDP actually rose in 1959-99. The regional averages conceal large differences between countries.

Reforms to increase incentives for the efficiency and performance of public servants have been markedly less successful. The problem of badly performing civil services in most Latin American countries is one of the most enduring symptoms of poor public administration in the region.6

3.3.3. **The structure of the public sector**
A strong, if untidy, reform process has been going on in Latin America through changes in the structure of the public sector and the development of alternative forms of service delivery. This process has largely been driven by specific sectoral reform needs, rather than a broader attempt at administrative reform. Organizational diversification has taken the form of a switch from production to regulation, the creation of arms-length agencies, decentralization of service delivery to sub-national governments, contracting out, and client involvement in service delivery.

- **Regulatory management**: the Latin America’s reform of the state had in its agenda the deregulation of markets with intention: a) to support market institutions (particularly the regulation of financial institutions and natural monopolies, especially after widespread privatizations in the region); b) to involve private agents more fully in the provision of public services; and c) to encourage citizens to follow welfare-enhancing actions (through pension reform, for example). In addition, regulatory systems can create a politically resilient structure which is potentially less prone to patronage (World Bank: 2000). Even though Latin America presented some progress in terms of its deregulation agenda, it is far from finished: markets and daily life in the region remain highly regulated.

- **Intergovernmental decentralization**: In Latin America, it is generally the case that the

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6 There have been two contrasting perspectives in the diagnosis of government bureaucracies in the region (Matsuda: 2003; World Bank: 1997): excessive or stifling bureaucracy (over-formalism) and too little bureaucracy (informality). These are, of course, not mutually exclusive.

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decentralization of political power to sub-national levels of government has been driven by politics and the devolution of responsibilities and revenues has followed in its wake. Latin America’s return to democracy led to a massive process of fiscal and administrative decentralization beginning in the mid-1980s, one that was pretty much new to all the countries except Brazil and Argentina. Once mayors were elected, they pressed for resources and authority. According to one IDB survey, the share of sub-national governments in total public spending went from 13 percent in 1985 to 19 percent in 2004 (compared to almost 30 percent in the OECD, according to (Blöchliger et al: 2006)).

Decentralization has progressed substantially, but it has also thrown up problems, in particular the fiscal risk of excessive sub-national borrowing, high sub-national dependence on fiscal transfers, an unclear central-local division of functions and responsibilities, and the weak institutional capacity of most sub-national governments. This is perhaps the best example in Latin America of responsiveness to political demands leading to unintended consequences.

- **Organizational diversification**: A number of governments have chosen to bypass unreformed bureaucracies by creating arms-length agencies, some of them within the formal hierarchy, but many of them in parallel to existing agencies or otherwise as organizational enclaves (Burki et al: 1998, pp.131-4; Fiszbein: 2005; Matsuda: 2003). This has led to significant organizational diversification and is one of the few ways that less-developed countries, such as Bolivia, have found to raise the capacity of some public services. These new agencies perform basically two alternative public functions: regulation and service delivery.

3.3.4. Alternative service delivery

- **Outsourcing**: Governments began to outsource service delivery from the 1980s in an effort to replace more clientelistic models of service delivery, where political clients were employed to provide services to political clients. In infrastructure, these reforms led to substantial private provision, a general improvement in service quality (though not necessarily prices), and the growth of regulatory agencies.

The contracting out of social services on any scale to private firms has been less frequent, as the case of concession of school management in Bogotá, Colombia. It is more common to contract out social services to non-government organizations, as the case of contracting out hospital services in São Paulo, Brazil.

- **Public Private Partnerships**: Public-Private Partnerships are quite new in Latin America, developing mostly during this decade. There are few experiences in Brazil, Chile and Mexico. Peru recently approved a new PPP law. The evaluation of those few experiences in the region looks more challenging than in the OECD countries. Chile has a considered well-established PPP program that has been used mainly to develop transportation, airports, prisons, and irrigation (IMF: 2005). Brazil approved its PPP law in 2004, but there is currently only one project in more advanced phase (procurement) out of two dozens of projects that the central Government announced. However, PPP projects have started in the Brazilian states of São Paulo (subway and sanitation), Bahia (sewage pipeline) and Minas Gerais (roads). Although not a single, simple solution to the lack of resources for better public goods provision, PPP is certainly an alternative form of service delivery in the region, especially relevant because of budget constraints in the short term. In Latin America,
fiscal, judicial and institutional risks have emerged as significant.

3.3.5. Demand-side reforms

Improvements in the delivery of public services, especially social services, in Latin America have been notable. But the improvements have generally resulted from spending more money. The very partial evidence suggests that service quality has not raised much. For the next generation of reforms, the improvement of the quality of public services need to be tackled as priority.

- **Market-type mechanisms (Vouchers):** In education, market-type mechanisms have largely comprised the use of vouchers. Colombia and Chile in particular undertook key experiments. Colombia used vouchers covering almost 2,000 secondary schools to encourage a greater transition of poor students to secondary schools. Chile adopted a universal system of quasi-vouchers to encourage competition between private and public schools. Both reforms have been thoroughly evaluated.

- **User participation in planning and management:** Facilitating the participation of clients in the planning and management of public services can have powerful effects. This works best when services are on a small scale and management problems are simple. Community-run schools in El Salvador (the EDUCO program) provide a good example in increasing rural enrollment and raising class attendance.

- **Open government:** has become a more pressing concern as citizens of the region express a growing impatience with the seeming incapacity of elected governments to respond adequately to their needs. This has led to political unrest and political change in some countries. It has also led to the greater activism of civil-society organizations working within the existing institutional context, as example human-rights and election-monitoring groups, public-interest law movements, freedom-of-information laws and ombudsman.

- **E-government:** E-government can improve citizen access to public services, speed up the delivery of services, and increase transparency. To make e-government work, administrative processes must be simplified and automated. This, in turn, can save public resources by reducing corruption, improving efficiency, and raising revenues.

In 2005, according to the UN’s e-government readiness index, Latin America was more advanced than most other regions of the developing world, but just behind South and East Asia and well behind most of the OECD countries (Division for Public Administration and Development Management and Affairs: 2005). However, there were large differences between the countries of the region.

3.4. Stylized reforms paths

Re-emphasizing the diversity of public management reform approaches in different countries, and again noting that there is a distinct divergence between reforms undertaken where the public sector operates on reasonably transparent and formal lines, and the more opportunistic and easily reversed reforms elsewhere, Table 3 summarizes the broad patterns of reform in Latin America.

**Table 3: Public-Management Reform Patterns in Latin America**
### Area of Reform | Reform Patterns
--- | ---
**Public-expenditure-and-financial-accountability reforms** |  
**Budget rules** | • Strong rules for fiscal controls have enabled governments to move beyond cash-based fiscal control.  
• Large efforts, but very limited progress (except Chile), in performance budgeting.

**Procurement** | • Governments have tried to move from ineffective systems emphasizing the control of corruption to modern systems emphasizing value-for-money, but with limited success.

**Accounting** | • Relative success of integrated financial management systems to support budget-rule reforms (and move from cash-based controls).  
• Little progress on accrual accounting.

**Audit** | • Supreme audit institutions have not been particularly effective and are not a reform priority.

**Human-resource-management reforms** |  
**Workforce size and composition** | • Cuts have contained workforce size, but not its cost. Jobs have crept back in other forms.  
• There have been limited improvements in establishment control.

**Compensation and careers** | • A merit-based regime has been a major reform objective, but has failed signally. Chile and Brazil are the main exceptions.  
• A few countries have tried to introduce performance measures to the public service, with little success.  
• But merit-based – sometimes performance-oriented – “islands” of reform have been established in various countries.

**Structural reforms** |  
**Regulatory management** | • Many new regulatory agencies have emerged in the wake of privatization and sectoral reform.  
• Little has been done to develop centralized regulatory approaches.

**Intra-governmental decentralization** | • There has been a strong decentralization process, most recently in education and health.  
• This process has created problems of fiscal crisis, articulation between central and local government, political resistance, and revenue imbalances.

**Organizational diversification** | • Effective arms-length revenue and service-delivery agencies have been created to by-pass bureaucracy and politics.  
• But such agencies can also undermine administrative coherence.

**Alternative service delivery** |  
**Outsourcing** | • There have been successes in contracting out some social services.

**Public Private Partnerships** | • Use of “public private partnerships” has been limited.

**Demand side reforms** |  
**Market-type mechanisms** | • Voucher systems and user fees have broadened client choices.

**Increasing user participation in management and planning** | • Clients participate in managing some health and education services.  
• Outsourcing, voucher systems, and client participation have led to substantial improvements in service delivery (if limited in scope), but the successes are highly context-specific.

**Open government** | • Citizen voice is increasingly expressed through monitoring, legal activism, and consultation.  
• Freedom-of-information legislation is progressing, but under-developed.  
• Ombudsman offices have become effective in protection human rights in some countries and social entitlements in others.

**E-government** | • E-government is becoming increasing significant.

Source: Authors.

### 3.5. Achievement and risks
The region’s experience of public management reform is best understood in the context of the
broader reform-of-the-state experience. Reform of the state was, and is, an ambitious political and economic endeavor, not exactly a planned process, and in relation to the larger challenges of achieving macro stability and re-orienting the role of government, a surprisingly successful one (Lora: 2007). State reform has meant transforming a welfare-developmental state into a social-liberal state – regulating more, producing less, getting more services to the poor, and competing globally.

Strengthening public management as part of this reform process has been opportunistic and largely driven by the need to establish legitimacy for public administration. In many cases this has entailed an attempt to create – or in some few cases consolidate – an administration driven by due-process and formality. This provides something of a contrast with the OECD countries, where the newer demands of performance and responsiveness have played a more important role in driving reform.

The experience of public management reform has, of course, been different in the different countries of Latin America. There are, no doubt, several reasons for this, including different political-administrative traditions and the extent of constitutional federalism. But the most obvious factor in explaining differences is different starting points that reflect, broadly at least, different levels of institutional, but not necessarily economic, development. Among many countries, clientelism has helped stymie the emergence of modern, independent public bureaucracies. The diversity of experience in the OECD is also great, but probably less.

3.5.1. Achievements
In the end, the lack of hard data means that, as with the OECD countries, the progress in reform in Latin America is hard to judge. A review of reform efforts made almost a decade ago judged that the picture was at best mixed (Burki et al: 1998). More recent reviews (Fiszbein: 2005; Matsuda: 2003) do not come to a different conclusion.

In reviewing the most important areas of reform, we can summarize some results: a) fiscal control, improvement of budget rules, investments in information systems; b) incomplete reform of national civil services; c) alternative forms of service delivery provide a promising alternative to civil service reform; d) decentralization has proven a qualified success; e) civil society organizations appear to be directing their increased capacity for action and increased access to information more towards greater political and human rights, rather than better public services; f) e-government may begin to enhance the power of citizens and business.

3.5.2. Risks
Three risks seem to be emerging from this mixed pattern of public sector reform. First, there seems to be a problem of governance “legibility”. Second-generation reform of the state has a predominantly sectoral agenda, and so a lot of public management reform efforts have been made in a sectoral context. The result is that the overall shape of public management reform is barely visible to politicians and policy-makers (Fiszbein: 2005).

Second, there is a risk of reform for its own sake. A fragmented reform agenda has been emphasized because, with high levels of public cynicism, public management reform was rarely driven by a public demanding better services. (Spink: 1999) suggests that, in this area, the debate may have been intentionally narrow.

Finally, and perhaps most substantially, there is a risk of weak institutionalization of reforms – leading to a pattern of frequent reforms and equally frequent reversals. As noted, progress in
reform in Latin America tends to be more incremental than comprehensive and across-the-board (Spink: 1999). The consequence here can be “Brownian motion” – a situation in which many pilots and many small scale reforms will come and go, but the larger institutional weaknesses remain untouched.

II. Lessons and implications
If we compare the reforms described in sections 2 and 3, we can see similarities in the overall trajectory and techniques of reform between the two groups of countries, but differences in the political contexts which impel particular reforms. The similarities make the OECD reform experience highly relevant to Latin America. The differences call for a careful and selective approach in interpreting this experience.

To better understand the difference between reform trajectories and techniques on the one hand and reform contexts on the other, it is useful to make a distinction between the search for greater efficiency as a permanent and largely non-political driver of change and specific political contexts that drive change to different extents in different times and places.

Over time, the menu of “bureaucratic” technology has become more advanced and more varied: greater efficiency has come from better human resources, better physical capital (including information and communications technology), and better organization and management. These are neutral “tools” which can be applied in different mixes to respond to the political concerns described above. They are also, to an extent at least, tools that can be used by rich and poor countries alike.

Specific reform contexts, on the other hand, reflect the particular concerns at particular points in time of politicians and the broader public they represent about what the public administration should look like and how it should behave. In this sense, reform is the basis for gaining or maintaining the legitimacy of political arrangements related to public administration. The perception of the society changes over time as perceived problems change. Thus, the perceived problem in today’s more advanced countries in the earlier part of the nineteenth century – corrupt, inefficient administration and a lack of continuity in applying policies – was solved by the invention of a due-process reform, a quasi-independent civil service (Silberman: 1993). By the end of the twentieth century, the problem was perceived to have shifted and the public service was perceived as unresponsive, as its independence came to be seen by some as an obstacle to implementing legitimate political priorities, and underperforming.

4.1. Shared Trajectories, Shared Techniques
There is no denying the diversity and specificity of national reform experiences in either region. But if we compare reforms across the two groups of countries in the five technical areas, we find, by and large, that for each area, there is a dominant trajectory of reform into which both groups can fit. OECD countries are typically, but not in every case, further along the trajectory than Latin American countries. Essentially, the experience of the OECD countries defines a trajectory describing successive management techniques in search of ever-greater efficiency.

The logic of the trajectories for the administration of money, people, and organizations appears to reflect a move from simpler to more complex forms of control and coordination.
The more complex forms need more information, and they use either more sophisticated hierarchical techniques (more advanced planning) or contractual-discretionary instruments that are alternatives to hierarchical commands. In most cases, OECD countries are “ahead” of Latin American countries, as might be expected. The main trajectories can be summarized as follows (Figure 3).

**Figure 3**
Movement along the five technical dimensions of reform in the last two decades

1. **Control of money.** Most OECD countries have moved to performance budgeting. The countries of Latin America, by and large, have moved beyond cash budgeting to a rules-based system for aggregate fiscal control, but they are still struggling to make input-based budgeting work.

2. **Control of people.** OECD countries are involved in substantial changes in the institutional arrangements for civil servants. Partly through administrative decentralization and the individualization of management, civil services are becoming more integrated into private labor markets. Almost none of the countries of Latin America have got near this “modernization” agenda. Instead, most of them are still trying to establish a due-process...
(independent and merit-based) civil service, an agenda that the OECD countries have long since achieved. Organizational diversification will offer alternatives for Latin America.

- **Managing regulation.** The current OECD agenda is to impart some discipline and cohesion to the body of regulation across government. The Latin American agenda is both to complete the deregulation process and to acquire the skills needed for its new regulatory role as a result of the increasing role of private parties in service provision.

- **Control of organizations and alternative service delivery.** Latin American and OECD countries are heavily engaged in finding more flexible and performance-oriented organizational alternatives to the traditional ministerial hierarchy. Unlike the more linear trajectories we have indicated for the control of money and people, the trajectory of organizational and command formats is from homogeneity to heterogeneity. Better performance is being sought through a restructured public sector (decentralization and arm's-length agencies) and alternative forms of service delivery involving private agents. The OECD countries are doing this to make governments more efficient and responsive. But many Latin American countries are doing this because their hierarchical administrations are dysfunctional. Indeed, in alternate service delivery, Latin America is seemingly ahead of the OECD countries. Diversifying organizational formats is demanding, and it remains to be seen how important an alternative this approach can provide to dysfunctionality.

- **Empowering citizens.** Both groups of countries are moving to give citizens greater direct powers over the services they receive. In the OECD case, this seems to fit into a natural progression of democratic rights, while for the countries of Latin America it is partly a substitute for (imperfect) political rights.

So far at least, reforming countries have generally followed each stage of the reform sequence: they have not, for instance, “leapfrogged” from aggregate fiscal control to performance budgeting, but have had to master input-budgeting in between. This strongly indicates that reform is a process of cumulative learning. But historically-observed sequences do not constitute an immutable rule. Both organizational diversification and e-government, for instance, provide some promise that countries can catch up faster than they did in the past. Organizational diversification could also modify the need for large, uniform civil service hierarchies.

In sum, there is no different operating system between Latin America and the OECD. The existence of a dominant trajectory suggests, first that the techniques of public management benefit from a somewhat common toolbox (or operating system), second that, as they advance in efficiency, countries move smoothly along this trajectory, rather than “leapfrogging” from the least to the most sophisticated techniques. Thus the similarity lies in the common toolbox and trajectory. This makes the OECD reform experience relevant for Latin America. There is thus much to be gained from sharing technical experiences within these five areas.

### 4.2. Different Reform Imperatives

We have sought to place the recent record of public-management reform in two groups of
countries within a context of the political imperatives that drive reform – and most particularly the search for legitimacy and trust. For many of today’s OECD countries a modern public administration was born in the nineteenth century as a result of political concerns for due process. But in the most recent decades, there has been a marked concentration on two newer areas of concern. From the 1970s, many OECD governments came to worry about the responsiveness of the administrative machine, and its capacity to respond quickly to the elected officials and political priorities of the day. Since the 1990s, all OECD governments have worried about the performance of the administrative machine. This tighter link is intended to make the promises of politicians and the responsibilities of civil servants more transparent, to strengthen accountability for these promises, and to improve planning – in other words, to make the machine work properly and have it be seen to be working.

Due-process appears to have been a permanent concern. Otherwise, it is not clear that there has been a predetermined sequence in changing political concerns. Older concerns have not gone away when new ones surfaced. What is clear is that new concerns can be at odds with old ones – gaining legitimacy and trust on one area while sacrificing it in another. Most notably, attempts to improve responsiveness and performance can put due-process at risk. For instance, more contractual approaches to managing the civil service have often been perceived to undermine the ethical systems of old-fashioned hierarchical arrangements. Hence a balance between different concerns has to be found, and this balance needs adjusting over time as the perceived importance of different concerns changes.

The performance concern has become the dominant driver of reform across the advanced countries in the last twenty years, we believe, in large part because the very size of government has led to a crisis of manageability. That crisis consists in the difficulties of effectively coordinating a huge machine and the associated problems of fiscal pressure and, arguably, falling public trust.

Achieving a due-process administrative regime remains the dominant reform imperative in Latin America. Large efforts have gone into creating national (and sub-national) public services based on merit and on rules, but the progress has been interrupted and disappointing. By and large, most Latin American countries are situated where today’s OECD countries were in the mid-to-late nineteenth century – at the beginning or in the middle of the due-process revolution. But this parallel should not be exaggerated. First, today’s Latin American governments are trying to respond to far broader political demands for services than did the countries of Europe and North America in the late 19th century. Second, the menu of management technology is much larger. On the other hand, the OECD provides Latin America (and the rest of the developing world) with a well-specified model for administrative modernization.

A concern with performance – linking results more closely to inputs – has also swept the region. But with some important exceptions, performance-oriented systems have not been made to work very effectively. It seems that several Latin American governments hoped, originally at least, that performance-oriented systems might be able to modernize administrative systems as an alternative to due-process reforms. This hope has not been realized: as with the OECD countries, it therefore seems that performance reforms must build on due-process reforms. It may also be that the region’s interest in performance-oriented reforms has often been rhetorical – and a reflection of the effective job that several OECD countries had done in selling managerial reforms to the developing world.
With very few exceptions, the responsiveness of public administrations to political priorities has not been an issue in Latin America in the sense it has been in the OECD. In those Latin American jurisdictions where due-process reforms have made only modest progress, civil services have not become strong and independent enough to resist political direction. Indeed, they are often vehicles for patronage, and they can be highly responsive when they are packed with high-level political appointments.

Equity, that remained ignored for a long time, has begun to be a greater concern. However, it is more in terms of citizens having reasonable access to services than of civil servants reflecting the citizenry. However, a few countries of the region, disenchanted with the “neo-liberal” state reform model and in some cases with important indigenous populations, are now putting a greater emphasis on having the composition of the civil service more nearly reflect the make-up of its citizens.

In sum, while the OECD challenge has been to improve performance and responsiveness without undermining the earlier foundations of legitimacy and trust, the Latin American challenge is considerably more complex. Here the task is to re-create a form of responsiveness that is not dependent on patronage, while also creating equal access to public service jobs and services for long-marginalized groups. Thus, by comparison with their OECD colleagues, reformers in Latin America face two particular difficulties in the reform of the Latin American state:

(a) to reassure politicians that in losing the tried and tested basis for responsiveness, they will be gaining something equally effective in its place,
(b) to manage reform programs that are operating on more political fronts than recent reforms in the OECD.

While it is useful to generalize about Latin America, it is also important to take account of the range of country situations and experience. At one end of the spectrum are jurisdictions which seem able to achieve due-process only within small islands, but at the other end are jurisdictions which have begun to make progress in performance-oriented reform. Thus reform contexts between the two groups of countries are different. This makes the OECD reform experience something that has to be interpreted by Latin American countries with care and selectivity.

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